

CITY OF HOLTON, KANSAS

**Financial Statements for the
Year December 31, 2011
And Independent Auditors' Report**

CITY OF HOLTON, KANSAS

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Holton, Kansas

We were engaged to audit the accompanying financial statements of the City of Holton, Kansas (City) as of December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The City has elected not to adopt the provisions of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

As described more fully in Note 1, the City prepares its financial statements on a basis of accounting prescribed by the Kansas Division of Accounts and Reports to demonstrate compliance with the cash basis laws of the State of Kansas, which basis differs from generally accepted accounting principles.

The City does not utilize formal fund accounting system to keep track of receipts and disbursements by category and by fund. As a result, it was not practical to extend our auditing procedures to determine whether the electronic or the manual version was more accurate. In addition the City has other bank accounts and activity which are not included in this audit since the City does not account for them using funds.

In our opinion, because of the effect of the matters discussed in the proceedings paragraphs, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the City of Holton, Kansas, as of December 31, 2011, or the results of its operations for the year then ended.

Because the City does not maintain a standard system for recording receipts and disbursements by category or by fund, we can not express an opinion on the financial statements as listed in the table of contents.

The supplemental schedules for the year ended December 31, 2011, listed in the foregoing table of contents are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data. Such information, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the financial statements of the City of Holon, Kansas, taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organization, and is not a part of the financial statements.

Michael D. Perroo, CPA, PA

November 5, 2012

CITY OF HOLTON, KANSAS

SUMMARY OF DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2011

	<u>Total Disbursements</u>	<u>Total Budget</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund	\$ 1,406,199	\$ 1,458,725	\$ 52,526
Special Revenue Funds:			
Library Fund	97,924	113,196	15,272
Industrial Development Fund	19,690	83,000	63,310
Liability Insurance Fund	17,943	20,000	2,057
Special Highway Fund	306,739	315,160	8,421
Enterprise Funds:			
Electric Fund	5,473,510	5,877,045	403,535
Water Fund	1,081,641	1,275,177	193,536
Sewage Disposal Fund	617,358	776,425	159,067
Trash Fund	132,268	132,075	(193)
Capital Project Fund:			
Equipment Reserve Fund	9,501	15,000	5,499
Debt Service Funds:			
Bond and Interest Fund	<u>101,113</u>	<u>121,113</u>	<u>20,000</u>
Total Budgeted Funds	<u>9,263,886</u>	<u>\$ 10,186,916</u>	<u>\$ 923,030</u>
Non-budgeted Funds:			
Insurance Fund	483,725		
Utility Deposit Fund	400		
Municipal Court Fund	17,434		
Money Market Fund	27,643		
1992 Principal & Interest Fund	123,660		
2004 Principal & Interest Fund	365,445		
2009 Principal & Interest Fund	274,738		
Lieap Fund	5,561		
Special Parks and Recreation Fund	67,592		
Capital Improvement Fund	<u>32,523</u>		
Total Non-budgeted Funds	<u>1,398,721</u>		
	<u>\$ 10,662,607</u>		

CITY OF HOLTON, KANSAS

GENERAL FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEAR ENDING DECEMBER 31, 2011

	2010 Actual	2011 Actual	2011 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Ad Valorem Tax	\$ 803,862	803,073	\$ 854,828	\$ (51,755)
Motor Vehicle Tax	83,817	95,135	101,698	(6,563)
Sales Tax	219,555	234,958	225,000	9,958
Local Alcoholic Tax	2,655	3,557	2,700	857
Franchise Fees	105,144	96,527	121,000	(24,473)
License Permits and Fees	7,528	7,081	12,000	(4,919)
Fees from Fines	16,909	8,503	11,500	(2,997)
Swimming Pool Fees	33,707	35,922	31,000	4,922
Lake Fees	9,164	6,518	11,000	(4,482)
Miscellaneous	13,534	12,227	5,000	7,227
Transfer		50,000		50,000
Interest on Idle Funds	6,428	5,541	8,000	(2,459)
Total Cash Receipts	1,302,303	1,359,042	\$ 1,383,726	\$ (24,683)
CASH DISBURSEMENTS:				
General Administration	35,182	24,385	\$ 29,700	\$ 5,315
Police Department	498,220	504,022	526,300	22,278
Street Department	332,693	349,463	260,250	(89,213)
Fire Department	233,872	227,223	334,875	107,652
Parks Department	305,234	301,106	307,600	6,494
Total Cash Disbursements	1,405,201	1,406,199	\$ 1,458,725	\$ 52,526
Receipts under Disbursements	(102,898)	(47,157)		
UNENCUMBERED CASH, BEGINNING BALANCE	193,919	91,021		
UNENCUMBERED CASH, ENDING BALANCE	\$ 91,021	\$ 43,864		

CITY OF HOLTON, KANSAS

LIBRARY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEAR ENDING DECEMBER 31, 2011

	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2011 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Ad Valorem Tax	\$ 95,406	\$ 94,450	\$ 100,437	\$ (5,987)
Miscellaneous	17			
Motor Vehicle Tax	<u>11,775</u>	<u>11,336</u>	<u>12,056</u>	<u>(720)</u>
Total Cash Receipts	107,198	105,786	\$ <u>112,493</u>	\$ <u>(6,707)</u>
CASH DISBURSEMENTS:				
Personal Services	101,814	94,305	\$ 109,896	\$ 15,591
Contractual Services and Transfers	<u>3,001</u>	<u>3,619</u>	<u>3,300</u>	<u>(319)</u>
Total Cash Disbursements	<u>104,815</u>	<u>97,924</u>	\$ <u>113,196</u>	\$ <u>15,272</u>
Receipts over disbursements	2,383	7,862		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>6,653</u>	<u>9,036</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u>9,036</u>	\$ <u>16,898</u>		

CITY OF HOLTON, KANSAS

INDUSTRIAL DEVELOPMENT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEAR ENDING DECEMBER 31, 2011

	2010 Actual	2011 Actual	2011 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Ad Valorem Tax	\$ 19,087	\$ 26,173	\$ 27,922	\$ (1,749)
Motor Vehicle Tax	<u>2,454</u>	<u>2,271</u>	<u>2,412</u>	<u>(141)</u>
Total Cash Receipts	21,541	28,444	\$ <u>30,334</u>	\$ <u>(1,891)</u>
CASH DISBURSEMENTS:				
Contractual Services	5,000	4,200	\$ 5,000	\$ 800
Capital Outlay	<u>35,669</u>	<u>15,490</u>	<u>78,000</u>	<u>62,510</u>
Total Cash Disbursements	<u>40,669</u>	<u>19,690</u>	\$ <u>83,000</u>	\$ <u>63,310</u>
Receipts over (under) Disbursements	(19,128)	8,754		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>142,604</u>	<u>123,476</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u>123,476</u>	\$ <u>132,230</u>		

CITY OF HOLTON, KANSAS

LIABILITY INSURANCE
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEAR ENDING DECEMBER 31, 2011

	2010 Actual	2011 Actual	2011 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Ad Valorem Tax	\$ 61	\$ 106	\$	\$ 106
Motor Vehicle Tax	842	27		27
Total Cash Receipts	903	133	\$	\$ 133
CASH DISBURSEMENTS:				
Contractual Services	18,359	17,943	\$ 20,000	\$ 2,057
Total Cash Disbursements	18,359	17,943	\$ 20,000	\$ 2,057
Receipts under Disbursements	(17,456)	(17,810)		
UNENCUMBERED CASH, BEGINNING BALANCE	53,537	36,081		
UNENCUMBERED CASH, ENDING BALANCE	\$ 36,081	\$ 18,271		

CITY OF HOLTON, KANSAS

SPECIAL PARKS AND RECREATION FUND STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDING DECEMBER 31, 2011

	2010 Actual	2011 Actual
CASH RECEIPTS:		
Reservations	\$	\$
Program Fees	49,109	23,485
Donations and Other	2,804	6,763
Liquor Tax	2,655	3,557
Miscellaneous	1,088	14,937
Total Cash Receipts	55,656	48,742
CASH DISBURSEMENTS:		
Personnel Costs	20,718	20,730
Contractual Services	505	531
Commodities	14,454	26,256
Capital Outlay	8,403	20,075
Total Cash Disbursements	44,080	67,592
Receipts over (under) Disbursements	11,576	(18,850)
UNENCUMBERED CASH, BEGINNING BALANCE	37,544	49,120
UNENCUMBERED CASH, ENDING BALANCE	\$ 49,120	\$ 30,270

CITY OF HOLTON, KANSAS

SPECIAL HIGHWAY FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEAR ENDING DECEMBER 31, 2011

	2010 Actual	2011 Actual	2011 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
State Gas Tax	87,924	\$ 86,353	\$ 88,970	\$ (2,617)
Local Sales Tax	186,667	194,045	190,000	4,045
Reimbursement	7,967	340		340
Total Cash Receipts	282,558	280,738	\$ 278,970	\$ 1,768
CASH DISBURSEMENTS:				
Personal Services	100,710	103,532	\$ 121,985	\$ 18,453
Contractual Services	513	594		(594)
Commodity Expense	146,491	121,577	100,000	(21,577)
Capital Outlay	33,405	62,861	75,000	12,139
Debt Service	18,175	18,175	18,175	
Total Cash Disbursements	299,294	306,739	\$ 315,160	\$ 8,422
Receipts under Disbursements	(16,736)	(26,001)		
UNENCUMBERED CASH, BEGINNING BALANCE	98,358	81,622		
UNENCUMBERED CASH, ENDING BALANCE	\$ 81,622	\$ 55,621		

CITY OF HOLTON, KANSAS

ELECTRIC FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEAR ENDING DECEMBER 31, 2011

	2010 Actual	2011 Actual	2011 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Sales and Charges	\$ 3,697,481	\$ 3,673,573	\$ 3,425,000	\$ 248,573
Fuel Cost	1,766,452	2,146,965	2,200,000	(53,035)
Light Rental	31,172	31,433	29,000	2,433
Reimbursed Expenses	74,369	82,809	177,000	(94,191)
Penalties and Other	80,367	66,309	54,000	12,309
Total Cash Receipts	5,649,841	6,001,089	\$ 5,885,000	\$ 116,089
CASH DISBURSEMENTS:				
Administration				
Personal Services	170,867	247,838	\$ 224,000	\$ (23,838)
Contractual Services	16,477	11,324	46,000	34,676
Commodities	52,037	44,145	10,700	(33,445)
Capital Outlay and Sales Tax	224,176	209,224	180,000	(29,224)
Miscellaneous	880	3,709		(3,709)
Transfer				
Production				
Personal Services	457,754	380,937	504,000	123,063
Contractual Services	2,772,437	2,863,542	3,014,000	150,458
Commodities	220,631	277,191	278,000	809
Capital Outlay	12,877	4,768	20,000	15,232
Transfer	500,845	365,532	365,445	(87)
Distribution				
Personal Services	352,192	324,044	420,000	95,956
Contractual Services	67,738	56,544	93,500	36,956
Commodities	126,177	136,312	173,000	36,688
Capital Outlay	8,558	150,000	150,000	
Transfer	264,275	398,400	398,400	
Total Cash Disbursements	5,247,921	5,473,510	\$ 5,877,045	\$ 403,536
Receipts over Disbursements	401,920	527,579		
UNENCUMBERED CASH, BEGINNING BALANCE	755,343	1,157,263		
UNENCUMBERED CASH, ENDING BALANCE	\$ 1,157,263	\$ 1,684,842		

CITY OF HOLTON, KANSAS

WATER FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEAR ENDING DECEMBER 31, 2011

	2010 Actual	2011 Actual	2011 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Water Sales and Other Charges	\$ 955,984	\$ 994,646	\$ 1,165,924	\$ (171,278)
PWWSD Contract	120,133	120,704	120,000	704
Farm Income	1,551	3,023	3,000	23
Miscellaneous and Transfer	12,526	10,243	22,000	(11,757)
Total Cash Receipts	1,090,194	1,128,616	\$ 1,310,924	\$ (182,309)
CASH DISBURSEMENTS:				
Administration				
Personal Services	153,559	90,080	\$ 163,000	\$ 72,920
Contractual Services	3,908	13,998	15,000	1,002
Commodities	618	1,350	3,000	1,650
Capital Outlay			5,000	5,000
Miscellaneous	6,815		9,000	9,000
Production				
Personal Services	251,871	226,795	265,000	38,205
Contractual Services	495,611	523,498	480,015	(43,483)
Commodities	30,162	16,372	39,250	22,878
Debt Service	12,495			
Capital Outlay and Miscellaneous	2,037	10,603	10,000	(603)
Distribution				
Personal Services	88,886	94,394	92,000	(2,394)
Contractual Services	20,548	25,265	34,000	8,735
Commodities	32,362	54,296	39,500	(14,796)
Capital Outlay	5,000		96,500	96,500
Debt Service	65,621	24,990	23,912	(1,078)
Total Cash Disbursements	1,169,493	1,081,641	\$ 1,275,177	\$ 193,535
Receipts over (under) Disbursements	(79,299)	46,975		
UNENCUMBERED CASH, BEGINNING BALANCE	203,004	123,705		
UNENCUMBERED CASH, ENDING BALANCE	\$ 123,705	\$ 170,680		

CITY OF HOLTON, KANSAS

SEWER FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEAR ENDING DECEMBER 31, 2011

	2010 Actual	2011 Actual	2011 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Sewer Charges	\$ 548,386	\$ 699,302	\$ 776,500	\$ (77,198)
Miscellaneous Income	<u>79,116</u>	<u>9,443</u>		<u>9,443</u>
Total Cash Receipts	627,502	708,745	<u>\$ 776,500</u>	<u>\$ (67,755)</u>
CASH DISBURSEMENTS:				
Administration				
Contractual Services	1,000		\$	\$
Capital Outlay		7,339		(7,339)
Treatment				
Personal Services	57,391	96,176	100,000	3,824
Contractual Services	89,349	92,563	100,000	7,437
Commodities	56,338	30,873	40,300	9,427
Debt Service	223,159	223,159	222,525	(634)
Miscellaneous				
Collection				
Personal Services	44,256	39,060	42,000	2,940
Contractual Services	5,220	17,145	31,600	14,455
Commodities	14,312	11,043	40,000	28,957
Capital Outlay	<u>45,292</u>	<u>100,000</u>	<u>200,000</u>	<u>100,000</u>
Total Cash Disbursements	<u>536,317</u>	<u>617,358</u>	<u>\$ 776,425</u>	<u>\$ 159,068</u>
Receipts over Disbursements	91,185	91,387		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>45,389</u>	<u>136,574</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 136,574</u>	<u>\$ 227,961</u>		

CITY OF HOLTON, KANSAS

TRASH FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL
YEAR ENDING DECEMBER 31, 2011

	2010 Actual	2011 Actual	2011 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Collection Fees	\$ 139,492	\$ 140,743	\$ 140,000	\$ 743
Total Cash Receipts	139,492	140,743	<u>140,000</u>	<u>743</u>
CASH DISBURSEMENTS:				
Contractual Services	119,637	132,268	\$ 132,075	\$ (193)
Refund	<u>8,000</u>			
Total Cash Disbursements	<u>127,637</u>	<u>132,268</u>	<u>\$ 132,075</u>	<u>\$ (193)</u>
Receipts over Disbursements	11,855	8,476		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>9,087</u>	<u>20,942</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u>20,942</u>	\$ <u>29,417</u>		

CITY OF HOLTON, KANSAS

UTILITY DEPOSIT FUND

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL
YEAR ENDING DECEMBER 31, 2011**

	<u>2010 Actual</u>	<u>2011 Actual</u>
CASH RECEIPTS:		
Utility Deposits	\$ <u>36,473</u>	\$ <u>36,505</u>
Total Cash Receipts	36,473	36,505
CASH DISBURSEMENTS:		
Refunds and Transfer	<u>32,301</u>	<u>400</u>
Total Cash Disbursements	<u>32,301</u>	<u>400</u>
Receipts over Disbursements	4,172	36,105
UNENCUMBERED CASH, BEGINNING BALANCE	<u>52,328</u>	<u>56,500</u>
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>56,500</u></u>	\$ <u><u>92,605</u></u>

CITY OF HOLTON, KANSAS

CAPITAL IMPROVEMENT STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDING DECEMBER 31, 2011

	2010 Actual	2011 Actual
CASH RECEIPTS:		
Local Sales Tax and Jackson County Transfer	\$ 89,061	\$ 95,047
		200,000
Total Cash Receipts	89,061	295,047
CASH DISBURSEMENTS:		
Capital Outlay	1,813	32,523
Total Cash Disbursements	1,813	32,523
Receipts over Disbursements	87,248	262,524
UNENCUMBERED CASH, BEGINNING BALANCE	105,548	192,796
UNENCUMBERED CASH, ENDING BALANCE	\$ 192,796	\$ 455,320

CITY OF HOLTON, KANSAS

EQUIPMENT RESERVE FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEAR ENDING DECEMBER 31, 2011

	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2011 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Other Revenue	\$ <u> </u>	\$ <u> 7,997</u>	\$ <u> </u>	\$ <u> 7,997</u>
Total Cash Receipts		<u> 7,997</u>	\$ <u> </u>	\$ <u> 7,997</u>
CASH DISBURSEMENTS:				
Capital Outlay	<u> </u>	<u> 9,501</u>	\$ <u> 15,000</u>	\$ <u> 5,499</u>
Total Cash Disbursements	<u> </u>	<u> 9,501</u>	\$ <u> 15,000</u>	\$ <u> 5,499</u>
Receipts under Disbursements		(1,504)		
UNENCUMBERED CASH, BEGINNING BALANCE	<u> 18,368</u>	<u> 18,368</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u> 18,368</u>	\$ <u> 16,863</u>		

CITY OF HOLTON, KANSAS

INSURANCE FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDING DECEMBER 31, 2011

	<u>2010 Actual</u>	<u>2011 Actual</u>
CASH RECEIPTS:		
Receipts for Premiums	\$ <u>435,859</u>	\$ <u>478,232</u>
Total Cash Receipts	<u>435,859</u>	<u>478,232</u>
CASH DISBURSEMENTS:		
Contractual	<u>428,380</u>	<u>483,725</u>
Total Cash Disbursements	<u>428,380</u>	<u>483,725</u>
Receipts over (under) Disbursements	7,479	(5,493)
UNENCUMBERED CASH, BEGINNING BALANCE	<u>8,277</u>	<u>15,756</u>
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>15,756</u></u>	\$ <u><u>10,263</u></u>

CITY OF HOLTON, KANSAS

MUNICIPAL COURT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL

YEAR ENDING DECEMBER 31, 2011

	<u>2010 Actual</u>	<u>2011 Actual</u>
CASH RECEIPTS:		
Fees	\$ <u>19,770</u>	\$ <u>19,275</u>
Total Cash Receipts	<u>19,770</u>	<u>19,275</u>
CASH DISBURSEMENTS:		
Bond refund and Other	1,121	620
Restitution	261	2,977
State Fines & Fees	2,370	2,322
Local Fines & Fees	<u>16,909</u>	<u>11,515</u>
Total Cash Disbursements	<u>20,661</u>	<u>17,434</u>
Receipts over (under) Disbursements	(891)	1,840
UNENCUMBERED CASH, BEGINNING BALANCE	<u>10,771</u>	<u>9,880</u>
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>9,880</u></u>	\$ <u><u>11,720</u></u>

CITY OF HOLTON, KANSAS

MONEY MARKET FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDING DECEMBER 31, 2011

	2010 Actual	2011 Actual
CASH RECEIPTS:		
Interest on Idle Funds	\$ 16,750	\$ 10,892
Total Cash Receipts	16,750	10,892
CASH DISBURSEMENTS:		
Transfer to Other Funds	21,034	27,643
Total Cash Disbursements	21,034	27,643
Receipts under Disbursements	(4,284)	(16,750)
UNENCUMBERED CASH, BEGINNING BALANCE	21,034	16,750
UNENCUMBERED CASH, ENDING BALANCE	\$ 16,750	\$

CITY OF HOLTON, KANSAS

LIHEAP FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL

YEAR ENDING DECEMBER 31, 2011

	2010 Actual	2011 Actual
CASH RECEIPTS:		
Interest and Transfer	\$ 13,275	\$ 13,005
Total Cash Receipts	13,275	13,005
CASH DISBURSEMENTS:		
Contractual Services	10,724	5,561
Total Cash Disbursements	10,724	5,561
Receipts over Disbursements	2,551	7,444
UNENCUMBERED CASH, BEGINNING BALANCE	2,947	5,498
UNENCUMBERED CASH, ENDING BALANCE	\$ 5,498	\$ 12,941

CITY OF HOLTON, KANSAS

CLOCK FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDING DECEMBER 31, 2011

	2010 Actual	2011 Actual
CASH RECEIPTS:		
Interest	\$ 21	\$ 7
Total Cash Receipts	21	7
CASH DISBURSEMENTS:		
Transfer		
Total Cash Disbursements		
Receipts over (under) Disbursements	21	7
UNENCUMBERED CASH, BEGINNING BALANCE	70	91
UNENCUMBERED CASH, ENDING BALANCE	\$ 91	\$ 98

CITY OF HOLTON, KANSAS

1992 PRINCIPAL & INTEREST

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL

YEAR ENDING DECEMBER 31, 2011

	2010 Actual	2011 Actual
CASH RECEIPTS:		
Transfer from Electric Fund	\$ 184,980	\$ 123,720
Total Cash Receipts	184,980	123,720
CASH DISBURSEMENTS:		
Debt Service and Transfer	\$ 184,950	\$ 123,660
Total Cash Disbursements	184,950	123,660
Receipts over Disbursements	30	60
UNENCUMBERED CASH, BEGINNING BALANCE	67,038	67,068
UNENCUMBERED CASH, ENDING BALANCE	\$ 67,068	\$ 67,128

CITY OF HOLTON, KANSAS

2004 PRINCIPAL & INTEREST STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDING DECEMBER 31, 2011

	<u>2010 Actual</u>	<u>2011 Actual</u>
CASH RECEIPTS:		
Transfer from Electric Fund	\$ <u>362,040</u>	\$ <u>365,460</u>
Total Cash Receipts	362,040	365,460
CASH DISBURSEMENTS:		
Debt Service and Transfer	\$ <u>361,945</u>	\$ <u>365,445</u>
Total Cash Disbursements	<u>361,945</u>	<u>365,445</u>
Receipts over Disbursements	95	15
UNENCUMBERED CASH, BEGINNING BALANCE	<u>64,016</u>	<u>64,111</u>
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>64,111</u></u>	\$ <u><u>64,126</u></u>

CITY OF HOLTON, KANSAS

2009 PRINCIPAL & INTEREST STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDING DECEMBER 31, 2011

	2010 Actual	2011 Actual
CASH RECEIPTS:		
Transfer from the Electric Fund	\$ 218,100	\$ 274,752
Total Cash Receipts	218,100	274,752
CASH DISBURSEMENTS:		
Debt Service	\$ 270,870	\$ 274,738
Total Cash Disbursements	270,870	274,738
Receipts over (under) Disbursements	(52,770)	14
UNENCUMBERED CASH, BEGINNING BALANCE	127,480	74,710
UNENCUMBERED CASH, ENDING BALANCE	\$ 74,710	\$ 74,724

CITY OF HOLTON, KANSAS

BOND AND INTEREST FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEAR ENDING DECEMBER 31, 2011

	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2011 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Ad Valorem Tax	\$ 89,169	\$ 96,329	\$ 102,475	\$ (6,146)
Motor Vehicle Tax	<u>14,503</u>	<u>10,679</u>	<u>11,238</u>	<u>(559)</u>
Total Cash Receipts	103,672	107,008	\$ <u>113,713</u>	\$ <u>(6,704)</u>
CASH DISBURSEMENTS:				
Debt Service	<u>125,733</u>	<u>101,113</u>	\$ <u>121,113</u>	\$ <u>20,000</u>
Total Cash Disbursements	<u>125,733</u>	<u>101,113</u>	\$ <u>121,113</u>	\$ <u>20,000</u>
Receipts over (under) Disbursements	(22,061)	5,895		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>22,756</u>	<u>695</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u>695</u>	\$ <u>6,590</u>		

CITY OF HOLTON, KANSAS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of Presentation - Fund Accounting - The accounts of the City of Holton, Kansas (City) are organized on the basis of funds, each of which is considered a separate accounting entity.

The following types of funds comprise the financial activities of the City for 2011.

Governmental funds:

General fund - to account for all unrestricted resources except those required to be accounted for in other funds or account groups.

Special revenue funds - to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Capital project funds - to account for major capital expenditures not financed by other funds.

Debt service funds - to account for the payment of interest and principal on long-term general debt obligation.

Proprietary funds:

Enterprise funds - to account for operations that are financed and operated in a manner similar to business enterprises, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

- b. Basis of Accounting - These financial statements are presented on a basis of accounting that demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred.

The municipality has obtained a GAAP waiver from the State of Kansas, which thereby requires this type of special reporting.

- c. Departure from Generally Accepted Accounting Principles - The basis of accounting described above results in a financial statement presentation that shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end did not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General

fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

- d. Budgetary Information - Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for the year ended December 31, 2011.

The statute permits transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the cash basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds.

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

- e. Component units:

The component units are reported separately to emphasize that they are legally separate from the City. The City is not aware of any component units at December 31, 2011.

2. TAXES

The City collects the following taxes from the city, state and county:

Property Taxes – The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the following year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One-half of the property taxes is due December 20, prior to the fiscal year for which they are budgeted, and the second half is due the following May 10.

Motor Vehicle Taxes – Since 1981, most motor vehicles became subject to a special tax paid at the time of registration instead of the traditional property tax. In 1995, the legislature enacted a five-year phase down in the assessment rate on motor vehicles from 30% to 20% of market value.

Sales Tax – On January 1, 1995, the City under Ordinance No. 1296, levied a Citywide retailers' sales tax at the rate of .25%. The tax will be used for the improvement and maintenance of the public streets.

In 2011, the City received the following from city, county and state taxes:

Property Taxes	\$ 1,020,555
Motor Vehicle Taxes	119,024
State Highway Aid	86,353
Sales Taxes	429,004
Local Alcohol Taxes	7,114
	<u>\$ 1,662,050</u>

The assessed valuation in 2011 was \$20,079,266, which was used to determine the mill levy for 2011. The mill levy was 54.070 for 2011 for the following funds:

General	42.573
Industrial	1.391
Library	5.002
Bond & Interest	<u>5.104</u>
	<u>54.070</u>

3. DEPOSITS

At year-end, the carrying amount of the City's deposits was \$3,257,626, and the bank balances were \$2,436,705. The differences between the carrying amount and the bank balances are outstanding checks and deposits in transit. The bank balance is covered by FDIC insurance and collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name.

The following represents information regarding certificates of deposit at December 31, 2011:

Under K.S.A. 12-1675, the City is limited to investment of idle funds as a result certificate of deposits are considered low risk.

Holton National Bank	9/1/2012	15,000
Holton National Bank	5/9/2012	100,000
Holton National Bank	8/9/2012	50,000
Holton National Bank	7/5/2012	30,000
Holton National Bank	5/6/2012	50,000
Holton National Bank	7/23/2012	45,000
Farmers State Bank	7/8/2012	31,084
Farmers State Bank	10/1/2012	129,364
Denison State Bank	1/19/2012	75,000
Denison State Bank	4/3/2012	52,694
Denison State Bank	12/6/2012	6,105
Denison State Bank	1/28/2012	13,945
Denison State Bank	2/9/2012	25,000
Denison State Bank	2/28/2012	50,000
Denison State Bank	4/24/2013	73,452
Denison State Bank	2/16/2013	361,086
Denison State Bank	7/15/2012	27,784
Denison State Bank	12/20/2012	34,812
Denison State Bank	5/14/2012	<u>25,000</u>
		1,220,326
	Amount not related to City Fund	<u>755,326</u>
		<u>\$ 465,000</u>

4. UTILITIES

The City provides water, electrical, sewer, and solid waste. The City reads the meters at various times of the month, and they mail their utility bills on the 1st and 15th of each month. The utility bills are due on the 15 and the last day of the month. Payments received after the due date are subject to a late charge of 10% or no less than \$2.50 and no more than \$10.00. Late notices are mailed on the 16 and the 1st of the month.

The City requires that, at the time of making application for utility service, the property owner or customer shall make a cash deposit in the amount set by the governing body to secure payment of accrued bills or bills due on discontinuance of service.

Cash deposits for the indicated utility services shall be in the following amounts:

- Water service - \$50.00
- Electric service - \$150.00

The deposit made shall be kept by the city clerk in a separate account and deposited in a fund designated for utility deposits. Interest shall be payable at the rate determined by the state corporation commission and credited to the customer's account January 1st of each calendar year.

Utility Rates for residential and commercial users are as follows:

Water:	Inside	Outside	
Minimum			
5/8 inch meter	\$ 27.00	\$ 42.00	Includes 1,000 gallons
3/4 inch meter	\$ 27.00	\$ 42.00	
1 inch meter	\$ 34.00	\$ 49.00	
1 1/2 inch meter	\$ 46.00		
2 inch meter	\$ 58.00	\$ 73.00	
3 inch meter	\$ 70.00		
4 inch meter	\$ 92.00	\$ 107.00	
6 inch meter and above	\$ 124.00	\$ 139.00	
Rate per next 1,000 gallons	\$ 4.30	\$ 5.70	
Rate per next 8,000 gallons	\$ 3.90		
Rate per next 5,000 gallons	\$ 3.50		
Rate per next 985,000 gallons	\$ 3.30		
Over 1,000,000 gallons	\$ 3.20		
Sewer:			
Minimum	\$ 19.73		Includes 1,000 gallons
Rate per 1,000 gallons	\$ 5.75		Residential
Electric: Residential Rate			
Minimum	\$ 7.00	\$ 9.00	Residential
Minimum	\$ 5.00	\$ 6.00	Small Business Rate
Minimum	\$ 15.00	\$ 22.00	Medium Business Rate
Minimum	\$ 18.00	\$ 22.00	Large Business Rate
Energy Charge	\$ 0.08495	\$ 0.08755	Residential
Trash:			
Residential	\$ 10.00		
Senior Citizen rate	\$ 7.50		

Aged Accounts Receivable due to the City as December 31, 2011 is \$399,748.

The following represents the date of the last rate change for the following utilities:

Water	1/1/2011
Electric	4/20/2009
Trash	7/1/2006
Sewer	1/1/2011

Effective January 2011 the City implemented a rate change for water and sewer.

5. LONG-TERM DEBT

The City's long-term debt is comprised of general obligation bonds, loans from the state and revenue bonds to finance the costs related to certain improvements of the City and are backed by the full faith and credit of the City at large and the City's inherent power to levy general ad valorem taxes and increase utility rates.

Changes in Long-Term Debt:

	Payable at 12/31/2010	Advances	Payments	Payable at 12/31/2011
General Obligation Bonds	\$ 3,855,000	\$	\$ 465,000	\$ 3,390,000
Revenue Bonds	1,025,000		240,000	785,000
Installment Note	132,194		31,167	101,027
Water Loan Fund	311,456		14,243	297,213
Sewer Loan Fund	<u>4,807,459</u>	<u>54,026</u>	<u>141,644</u>	<u>4,719,841</u>
	<u>\$ 10,131,109</u>	<u>\$ 54,026</u>	<u>\$ 892,054</u>	<u>\$ 9,293,081</u>

Interest Payments:

General Obligation Bonds	\$ 148,928
Revenue Bonds	34,738
Installment Note	5,183
Water Loan Fund	10,747
Sewer Loan Fund	<u>34,628</u>
	<u>\$ 234,224</u>

Total Debt Service:

General Obligation Bonds	\$ 613,928
Revenue Bonds	274,738
Installment Note	9,626
Water Loan Fund	24,990
Sewer Loan Fund	<u>176,272</u>

Total Debt Service:

General Obligation Bonds	\$ 672,628
Revenue Bonds	323,995
Installment Note	36,350
Water Loan Fund	24,990
Sewer Loan Fund	<u>274,680</u>
	<u>\$ 1,332,643</u>

General Obligation Bonds

General obligation bonds, series 2000A issued in the amount of \$925,000 (\$245,000 outstanding at December 31, 2011) are to be retired in the year 2014. Principal payments will be paid annually on December 1, ranging from \$40,000 to \$85,000 and semi-annual interest will be payable on June 1 and December 1. Interest rates range from 4.95% to 6.50%.

The bonds maturing on or before December 1, 2008 shall become due without option of prior payment. At the option of the City, bonds maturing on or after December 1, 2009 may be called for redemption and payment prior to maturity on December 1, 2008 without premium.

The governing body of the City shall annually make provision for the payment of principal and interest by levying and collecting the necessary taxes upon all of the taxable tangible property within the City. The proceeds from the taxes shall be deposited in the Principal and Interest Account, which shall be kept separate and apart from all other funds of the City and shall be used solely for the payment of the principal and interest of the bonds.

General obligation bonds, series 2002A issued in the amount of \$2,615,000 (\$110,000 outstanding at December 31, 2011) are to be retired in the year 2012. Principal payments will be paid annually on December 1, ranging from \$110,000 to \$380,000 and semi-annual interest will be payable on June 1 and December 1. Interest rates range from 2.30% to 3.90%.

The bonds are not subject to redemption prior to maturity.

The governing body of the City shall annually make provision for the payment of principal and interest by levying and collecting the necessary taxes upon all of the taxable tangible property within the City. The proceeds from the taxes shall be deposited in the Principal and Interest Account, which shall be kept separate and apart from all other funds of the City and shall be used solely for the payment of the principal and interest of the bonds.

General obligation refunding bonds, series 2004A issued in the amount of \$4,665,000 (\$2,715,000 outstanding at December 31, 2011) are to be retired in the year 2020. Principal payments will be paid annually on December 1, ranging from \$260,000 to \$340,000 and semi-annual interest will be payable on June 1 and December 1. Interest rates range from 2.00% to 4.00%.

The bonds maturing on or before December 1, 2013 shall become due without option of prior payment. At the option of the City, bonds maturing on or after December 1, 2014 may be called for redemption and payment prior to maturity on December 1, 2013 without premium.

The governing body of the City shall annually make provision for the payment of principal and interest by levying and collecting the necessary taxes upon all of the taxable tangible property within the City.

The proceeds from the taxes shall be deposited in the Principal and Interest Account, which shall be kept separate and apart from all other funds of the City and shall be used solely for the payment of the principal and interest of the bonds.

General obligation bonds, series 2007 issued in the amount of \$400,000 (\$320,000 outstanding at December 31, 2011) are to be retired in the year 2022. Principal payments will be paid annually on December 1, ranging from \$20,000 to \$35,000 and semi-annual interest will be payable on June 1 and December 1. Interest rates range from 3.875% to 4.550%.

The bonds maturing on or before December 1, 2017 shall become due without option of prior payment. At the option of the City, bonds maturing on or after December 1, 2018 may be called for redemption and payment prior to maturity on December 1, 2017 without premium.

The governing body of the City shall annually make provision for the payment of principal and interest by levying and collecting the necessary taxes upon all of the taxable tangible property within the City. The proceeds from the taxes shall be deposited in the Principal and Interest Account, which shall be kept separate and apart from all other funds of the City and shall be used solely for the payment of the principal and interest of the bonds.

Revenue Bonds

Water utility system revenue bonds, series 1994A issued in the amount of \$525,000 (\$0 outstanding at December 31, 2011) were retired October 1, 2010. Principal payments began October 1, 1995, ranging from \$20,000 to \$50,000 and semi-annual interest was payable on April 1 and October 1. Interest rates ranged from 4.75% to 6.25%.

Bonds maturing on or after November 1, 2005 may, at the option of the City, be called for redemption and payment prior to maturity without premium.

The City is required to maintain a debt service coverage ratio of 1.30.

Electric system revenue bonds, series 1999A issued in the amount of \$5,240,000 (\$0 outstanding at December 31, 2010) are to be retired December 1, 2020. Principal payments will begin December 1, 1999, ranging from \$70,000 to \$375,000 and semi-annual interest will be payable on June 1 and December 1. Interest rates range from 3.50% to 5.15%.

The bonds maturing on or after December 1, 2010 are subject to redemption without premium.

The bonds were refinanced in 2004.

Electric utility system revenue bonds, series 2009 issued in the amount of \$1,235,000 (\$785,000 outstanding at December 31, 2011) are to be retired October 15, 2014. Principal payments will begin October 15, 2010, ranging from \$210,000 to \$275,000 and semi-annual interest will be payable April 15 and October 15. Interest rates range from 2.50% to 3.75%.

Water Loan Fund

In 2007, the City entered into a loan agreement with Kansas Department of Health and Environment (KDHE) under the Kansas Public Water Supply Loan Fund in an amount not to exceed \$357,605 (\$297,213 outstanding at December 31, 2011) at a gross interest rate of 3.49%. The purpose of the loan is to finance the construction of 12,065 linear feet of 6-inch distribution line, 27,370 linear feet of 8-inch distribution line, installation of turbidity monitoring equipment, and the addition of a fourth filter. The estimated cost of the project is \$2,836,500. The City was awarded a Community Development Block

Grant in 2002 for \$400,000. The City has obtained a waiver that allows the financial reporting to be on cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principals.

Sewer Loan Fund

In 2007, the City entered into a loan agreement with Kansas Department of Health and Environment (KDHE) under the Kansas Water Pollution Control Fund in an amount not to exceed \$5,500,000 (\$4,572,365 outstanding at December 31, 2011) at a gross interest rate of 3.49%.

In 2003, the City entered into a loan agreement with Kansas Department of Health and Environment (KDHE) under the Kansas Water Pollution Control Fund in an amount not to exceed \$2,005,536 (\$147,476 outstanding at December 31, 2011) at a gross interest rate of 4.22%.

Installment Note

In February 2004, the City entered into an installment agreement with Gary Anderson for the purchase of a building. The purchase price of the property was \$396,000 of which \$100,000 was paid down and \$296,000 was to be paid over 10 years. Principal and interest payments of \$36,350 begin February 2, 2005 through 2014. Interest rate is 4%.

Principal and interest payments of long-term debt are as follows:

General Obligation Bonds, Series 2000A

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	75,000	13,085	88,085
2013	85,000	9,036	94,036
2014	<u>85,000</u>	<u>4,676</u>	<u>89,676</u>
	<u>\$ 245,000</u>	<u>\$ 26,797</u>	<u>\$ 271,797</u>

General Obligation Refunding Bonds, Series 2002A

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>110,000</u>	<u>4,290</u>	<u>114,290</u>
	<u>\$ 110,000</u>	<u>\$ 4,290</u>	<u>\$ 114,290</u>

General Obligation Refunding Bonds, Series 2004A

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 265,000	\$ 98,166	\$ 363,166
2013	275,000	90,216	365,216
2014	280,000	81,416	361,416
2015	290,000	71,896	361,896
2016	300,000	61,746	361,746
2017	310,000	50,946	360,946
2018	320,000	39,320	359,320
2019	335,000	27,000	362,000
2020	340,000	13,600	353,600
	<u>\$ 2,715,000</u>	<u>\$ 534,306</u>	<u>\$ 3,249,306</u>

General Obligation Bonds, Series 2007A

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 25,000	\$ 13,106	\$ 38,106
2013	25,000	11,968	36,968
2014	25,000	10,998	35,998
2015	25,000	10,030	35,030
2016	25,000	9,060	34,060
2017	30,000	8,092	38,092
2018	30,000	6,848	36,848
2019	30,000	5,602	35,602
2020	35,000	4,358	39,358
2021	35,000	2,906	37,906
2022	35,000	1,452	36,452
	<u>\$ 320,000</u>	<u>\$ 84,420</u>	<u>\$ 404,420</u>

General Obligation Bonds, Series 2007A

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 25,000	\$ 13,106	\$ 38,106
2013	25,000	11,968	36,968
2014	25,000	10,998	35,998
2015	25,000	10,030	35,030
2016	25,000	9,060	34,060
2017	30,000	8,092	38,092
2018	30,000	6,848	36,848
2019	30,000	5,602	35,602
2020	35,000	4,358	39,358
2021	35,000	2,906	37,906
2022	<u>35,000</u>	<u>1,452</u>	<u>36,452</u>
	<u>\$ 320,000</u>	<u>\$ 84,420</u>	<u>\$ 404,420</u>

Kansas Public Water Supply Loan Fund

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 14,744	\$ 10,246	\$ 24,990
2013	15,264	9,726	24,990
2014	15,801	9,189	24,990
2015	16,357	8,633	24,990
2016	16,933	8,057	24,990
2017	17,529	7,461	24,990
2018	18,147	6,843	24,990
2019	18,785	6,205	24,990
2020	19,446	5,544	24,990
2021	20,131	4,859	24,990
2022	20,840	4,150	24,990
2023	21,573	3,417	24,990
2024	22,333	2,657	24,990
2025	23,118	1,872	24,990
2026	23,932	1,058	24,990
2027	<u>12,280</u>	<u>1,058</u>	<u>13,338</u>
	<u>\$ 297,213</u>	<u>\$ 90,975</u>	<u>\$ 388,188</u>

Kansas Water Pollution Control Loan Fund

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 200	\$ 70,800	\$ 71,000
2013	267,351	154,925	422,276
2014	276,736	145,541	422,277
2015	286,450	135,826	422,276
2016	296,506	125,771	422,277
2017	306,914	115,363	422,277
2018	317,687	104,589	422,276
2019	328,839	93,438	422,277
2020	340,382	81,895	422,277
2021	352,330	69,946	422,276
2022	364,698	57,579	422,277
2023	377,500	44,777	422,277
2024	390,751	31,525	422,276
2025	404,468	17,809	422,277
2026	261,553	3,611	265,164
	<u>\$ 4,572,365</u>	<u>\$ 1,253,395</u>	<u>\$ 5,825,759</u>

Kansas Water Pollution Control Loan Fund

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 147,476	\$ 4,684	\$ 152,160
	<u>\$ 147,476</u>	<u>\$ 4,684</u>	<u>\$ 152,160</u>

Public Works Building

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 34,130	\$ 2,220	\$ 36,350
2013	34,855	1,495	36,350
2014	32,042	755	32,797
	<u>\$ 101,027</u>	<u>\$ 4,470</u>	<u>\$ 105,498</u>

6. COMPLIANCE WITH BOND REQUIREMENTS

The City issued water utility system revenue bonds, series 1994A. As a result, the City was required to maintain a debt service coverage ratio of 1.30. However these bonds were retired October 1, 2010.

7. CONTRACTS

In 2002, the City entered into an agreement with Public Wholesale Water Supply District 18, Jackson County, Kansas (District) to buy water in quantities as may be required by the City. The City then entered into an amended agreement for no less than 5 years with the District in July 2007. The District has constructed a water treatment facility for the use of its members. The City has agreed to provide personnel to serve in the capacity as General Manager and Operations Manager for the District. The City has also agreed to dedicate two (2) full time water treatment operators to operate the facility. The District has agreed to pay the annual cost of \$120,000 paid in monthly installments of \$10,000, due to the City on the 15th of each month. The City pays the District a monthly base rate of \$25,000 plus \$1.47 per 1,000 gallons. They purchased 125,854,000 gallons in 2011.

In 1985, the City entered into an agreement with Western Resources, Inc. (formerly the Kansas Power and Light Company) to purchase all the electric power and energy required by the City to supplement the City's needs to the extent not supplied from the City's self-owned generation. This contract is for 20 years from June 1, 1998, and for one-year periods thereafter, unless notice of termination is given in writing from one party to the other at least two years prior to the end of the primary twenty-year term. In 2011, the City purchased 47,624,608 kilowatts from the Kansas Power Pool.

In June 2003, the City entered into an agreement with Waste Management, Inc. for the purpose of solid waste collection. The contract is for a period of 3 years, after that time period the agreement maybe renewed on a year to year basis. Parties shall notify the other party within 30 days of the annual anniversary date of the agreement to change the terms of the agreement.

8. PENSION PLAN

The City's full-time employees participate in the Kansas Public Employees Retirement System (System), a multiple employer public employee retirement system. The payroll for employees covered by the System for 2011 was \$1,864,272 The City's total payroll for 2011 was \$1,941,953.

Covered employees are required by state statute to contribute 4% of their salary to the System. The City was required by statute to contribute 6.14% using the full funding method, which funds current costs each year and past service liability over a 40-year period. The contribution requirement for the year ended December 31, 2011, was \$228,674, which includes \$19,220 for Employers Insurance, which consisted of \$79,911 from employees and \$129,542 from the City.

9. COMPENSATED ABSENCES FOR EMPLOYEES

Vacation is accrued based on the years of services as follow:

Years of Service	0-5 Years	5- and less than 10	10 less than 15	15 years and over
Hours Accrued Per Month	8	10	12	14
Maximum Accrued Hours	96	120	144	168

The City's personnel employed on a full time basis (40 hours per week) are eligible for paid vacation. Vacation leave earned by an employee is credited to the employee on the first day of the following pay period. The maximum accumulation of vacation leave shall be enforced on the last day of the payroll period for the month of an employee's hire date anniversary. Each employee who exceeds the maximum accumulation of vacation leave permitted for the length of service at the end of the payroll period for the month of their anniversary shall forfeit the excess vacation leave credits. The forfeited vacation may be restored with the written approval from the City Manager. Such forfeited leave may be restored if the employee was prevented from using such leave because of unavoidable circumstances. Any restored leave must be used by the end of the payroll period three months from the employee's anniversary date.

The City also has available sick time for all full time employees. Each employee will accrue at the rate of eight hours for each month of service, with a maximum accumulation of 960 hours (120 days). In case of dismissal, retirement, or resignation; employee unused sick leave will not be paid.

10. INTERFUND TRANSFERS

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>
Light Fund	\$ 1,080,746	\$ 26,681
LIEAP Fund	15,624	
Municipal Court Fund	11,515	
Water Fund	76,648	
Sewer Fund	124,488	8,293
Trash Fund		
Library Fund	22,015	
General Fund	161,828	61,515
Beck-Bookman Library		
Special Street Fund	21,585	
1992 Principal & Interest		123,720
2004 Principal & Interest		365,460
2009 Principal & Interest		274,752
Money Market Interest	19,350	
Capital Improvement		200,000
Insurance Fund		473,378
	<u>\$ 1,533,799</u>	<u>\$ 1,533,799</u>

11. CONCENTRATIONS OF CREDIT RISK

The City is engaged in the sale of water, electricity, sanitation, and trash to customers located in Jackson County in Kansas. The City grants credit to those customers and requires no collateral.

12. RELATED PARTY TRANSACTIONS

In 2011 there were no material transactions with related parties.

13. CAPITAL PROJECTS

Capital projects and purchases for the year ending December 31, 2011 in excess of \$10,000 are as follows:

Sellers Equipment- Backhoe	\$62,325
Foster Ford - New Police Car	\$23,325
Title Abstract- Street Building	<u>\$36,350</u>
	<u><u>\$122,000</u></u>

14. COMPLIANCE WITH KANSAS LAW

Kansas statutes require that fixed budgets be legally adopted for special revenue and enterprise funds. Actual expenditures compared to budgeted expenditures are included within this report

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the City. There were no apparent statutory violations other than the item noted within during the year ended December 31, 2011 for the funds that were part of this audit, except for trash fund which actual disbursements exceed the budgeted amount. Also, the City reports bank balances not actual cash balances in their treasury report.

15. GRANT

The City was awarded a Federal Grant from U.S. Department of Homeland Security, for the rebuild of the electric plant, the original amount of \$2,580,199 in 2010 the City was approved for an additional \$2,000,000. In 2011, the City has received \$904,020 and since the inception the City has received \$2,978,544.

16. INVESTMENT IN WHOLESALE DISTRICT

Under Governmental Accounting Standard No. 14 Financial Reporting Entity, which establishes the standards for defining and reporting on the financial reporting participation in a joint venture, the City has not recorded their interest in the Public Wholesale District No. 18 under the equity method of accounting, which is required under Generally Accepted Accounting Principles. Under the equity method of accounting, all payments to Public Wholesale District No. 18 increase their investment distributions reduces the investment and the earnings or losses increase or decrease the investment respectively.

CITY OF HOLTON, KANSAS

**SCHEDULE OF UTILITY STATISTICS
YEARS ENDED DECEMBER 31, 2004 , 2005, 2006, 2007, 2008, 2009, 2010 and 2011**

WATER

	2004	2005	2006	2007	2008	2009	2010	2011
Gallons of water sold	150,375,884	150,720,851	145,730,100	134,609,000	134,888,661	134,422,200	138,597,500	134,623,333
Number of customers	1,523	1,523	1,539	1,539	1,548	1,548	1,542	1,538
Average gallons sold per customer per month	8,228	8,247	7,891	7,289	7,261	7,236	7,490	7,294
Gallons of water produced and purchased	213,650,000	191,836,000	166,647,300	159,900,700	166,691,000	168,448,000	168,151,000	131,593,000
Water Loss %	29.62%	21.43%	12.55%	15.82%	19.08%	20.20%	17.58%	-2.30%

ELECTRICITY

Kilowatts of electricity sold	42,295,846	42,958,846	42,841,084	44,531,212	43,357,381	43,702,071	46,293,806	45,918,581
Number of customers	2,369	2,369	2,373	2,423	2,871	2,410	2,053	2,424
Average kilowatts sold per customer per month	1,488	1,511	1,504	1,532	1,258	1,511	1,879	1,579

CITY OF HOLTON, KANSAS

SCHEDULE OF OTHER STATISTICS

YEARS ENDED DECEMBER 31, 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Population	3,353	3,353	3,353	3,353	3,353	3,353	3,329	3,329
Valuations	16,382,726	16,496,493	17,260,858	1,828,940	19,085,428	19,714,139	20,384,584	20,090,554
Mill Levy - Total	50.969	48.690	48.507	48.295	50.560	48.993	51.828	54.365
Total Receipts	\$6,854,060	\$5,547,180	\$6,063,088	\$8,577,908	\$11,172,681	\$11,047,350	\$10,757,189	\$11,533,979
Total Disbursements	\$6,870,473	\$5,452,915	\$5,521,744	\$9,409,306	\$10,639,304	\$10,440,561	\$10,462,197	\$10,662,605
Receipts Per Capita	\$2,044	\$1,654	\$1,808	\$2,558	\$3,332	\$3,295	\$3,231	\$3,465
Disbursements Per Capita	\$2,049	\$1,626	\$1,647	\$2,806	\$3,173	\$3,114	\$3,143	\$3,203
Bond Indebtedness	\$8,260,344	\$12,860,204	\$12,538,433	\$14,887,111	\$12,167,072	\$11,948,256	\$10,136,916	\$9,293,081
Bond Indebtedness Per Capita	\$2,464	\$3,835	\$3,739	\$4,440	\$3,629	\$3,563	\$3,045	\$2,792

**CITY OF HOLTON
JACKSON COUNTY, KANSAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011**

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a qualified opinion on the financial statements of City of Holton of Jackson County , Kansas.
2. No reportable conditions relating to the audit of the financial statements were noted.
3. No instances of noncompliance material to the financial statements of City of Holton were disclosed during the audit.
4. The auditors' report on compliance for the major federal program expresses an unqualified opinion.
5. There were no audit findings relative to the major federal program.
6. City of Holton of Jackson County, Kansas was not determined to be a high-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM

None

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL
IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Mayor and City Commission
City of Holton
Holton, Kansas

We have audited the financial statements of the City of Holton, Kansas (City) as of and for the year ended December 31, 2011, as listed in the table of contents, and have issued our report thereon date November 5, 2012. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City financial statements are free of material misstatement, we performed test of it compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over the financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. A material weakness is a condition in which design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Michael D. Perro, CPA, PA

November 5, 2012

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL
IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Mayor and City Commission
City of Holton
Holton, Kansas

We have audited the financial statements of the City of Holton, Kansas (City) as of and for the year ended December 31, 2011, as listed in the table of contents, and have issued our report thereon date November 5, 2012. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Michael D. Perro, CPA, PA

November 5, 2012

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL
IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Mayor and City Commission
City of Holton
Holton, Kansas

Compliance

We have audited the financial statements of the City of Holton, Kansas, (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to the major federal program for the year ended December 31, 2011. The City's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of law, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government auditing Standards, issued by the Comptroller General of the United States; and the OMB Circular A-133, Audits of the States and Local Government, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our does not provide a legal determination of the City's compliance with those requirements.

In our opinion, except for not establishing a reserve account the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2011.

Internal Control over Compliance

The Management of the City is responsible for establishing and maintains internal control over compliance with the requirements of law, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and a material effect on their major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be

material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weakness.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Michael D. Perro, CPA, PA

July 27, 2011

**CITY OF HOLTON
JACKSON COUNTY, KANSAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011**

SUMMARY OF AUDIT RESULTS

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FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM

None